

Message Text

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SUBJECT: US RELATIONSHIP WITH TANZANIA

1. SUMMARY: WE BELIEVE ACTION SHOULD GO FORWARD IN WASHINGTON NOW ON 66 PERCENT CUT-BACK ON THIS YEAR'S PLANNED \$12 MILLION AGRICULTURAL SECTOR LOAN (ASL II) TO TANZANIA SO THAT \$8 MILLION CAN BE REPROGRAMMED FOR USE ELSEWHERE. WE HOPE IN 4-8 WEEKS TO HAVE ACROSS-THE-BOARD ANALYSIS AND RECOMMENDATIONS FOR RATIONAL, BALANCED BILATERAL RELATIONSHIP WITH TANZANIA DESIGNED TO SERVE OVERALL US GLOBAL AND CONTINENTAL OBJECTIVES. COMMUNICATION TO TANGOV OF ASL II CUT-BACK AND OF ANY OTHER ACTIONS WE MAY DECIDE TO TAKE SHOULD AWAIT COMPLETION ANALYSIS AND RECOMMENDATIONS. END SUMMARY.

2. COUNTRY TEAM IS CARRYING ON INTENSIVE DISCUSSION OF US POLICIES AND PROGRAMS FOR TANZANIA AGAINST BACKGROUND OF TANZANIA'S RECORD LAST YEAR IN UNGA, ITS CURRENT POSITION RE ANGOLA, AND ITS FAILURE TO DATE COMPENSATE US NATIONALS FOR EXPROPRIATE PROPERTY AS REQUIRED FOR ELIGIBILITY GSP AND BY SECTION 620(E) FOREIGN ASSISTANCE ACT. WE ARE ALSO CAREFULLY RE-EXAMINING CALIBRE OF DEVELOPMENT PERFORMANCE, NATURE OF EVOLVING ECONOMIC SYSTEM, AND ROLES AND CONTRIBUTIONS OF OTHER FOREIGN AID DONORS. AIM IS TO DEVELOP, ESPECIALLY IN TERMS OF OUR FUTURE AID

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PROGRAM, RECOMMENDATION FOR RATIONAL, BALANCED US APPROACH

TO BILATERAL RELATIONSHIP REFLECTING REALITIES OF OVERALL US INTERESTS.

3. SEVERAL SITUATIONS RELEVANT TO THIS REVIEW ARE STILL BEING PLAYED OUT E.G. TANZANIA'S PERFORMANCE AS JANUARY PRESIDENT UNSC, ITS POST-OAU SUMMIT POSITION ON ANGOLA, ITS PENDING ACTIONS ON COMPENSATION FOR EXPROPRIATED PROPERTY OF US NATIONALS AS WELL AS ON PAYMENT OF OUTSTANDING DEBT TO US COMPANY, AND DETERMINATION OF COUNTRY'S ESSENTIAL FOOD GRAIN IMPORT REQUIREMENTS THIS YEAR. IN 4-8 WEEKS WE EXPECT THAT ENOUGH WILL HAVE UNFOLDED TO ENABLE US GEAR THESE INTO ANALYSIS ALSO. AT THAT TIME WE WILL PROVIDE POLICY AND PROGRAM RECOMMENDATIONS FOR REMAINDER OF FY 1976 AND SUBSEQUENT YEARS.

4. WE HAVE ALREADY CONCLUDED THAT FURTHER DIRECT THREATS OF WITHDRAWAL OF AID WILL NOT RPT NOT BRING ABOUT IMPROVEMENT IN TANZANIA'S BEHAVIOR. THEREFORE, BEST COURSE IS TO TAILOR OUR PROGRAMS TO REDUCE OR ELIMINATE PRESENT IMBALANCE IN BILATERAL RELATIONSHIP. (THIS RPT THIS MIGHT EVENTUALLY HAVE POSITIVE EFFECT ON BEHAVIOR.) WE HAVE IDENTIFIED ONE ITEM ON WHICH WE BELIEVE ACTION CAN BE TAKEN NOW. THE PLANNED FY 1976 AGRICULTURAL SECTOR LOAN (II), BUDGETED AT \$12 MILLION, SHOULD BE CUT BACK SHARPLY. WE CURRENTLY ESTIMATE MAXIMUM AMOUNT WHICH SHOULD BE PRESERVED AT \$4 MILLION. THIS DESIGNED TO COST ONLY MINIMUM REQUIREMENTS FOR FERTILIZER, SEEDS AND TRANSPORT WHICH CANNOT BE COVERED BY OTHER FOREIGN DONORS AND WHICH MAY BE ESSENTIAL TO (A) NECESSARY LEVEL FOOD PRODUCTION AND (B) PREVENTION DIRECT DELETERIOUS EFFECT ON TECHNICAL ASSISTANCE PROJECTS IN AGRICULTURE IN WHICH WE ALREADY HAVE SIGNIFICANT INVESTMENT. AID/DAR ES SALAAM WILL SHORTLY SUBMIT TO AID/WASHINGTON REVISED ASL II PLAN ALONG THESE LINES. THIS, WE HOPE, WILL ASSIST WASHINGTON IN MAKING PROMPT DECISION ON THIS RECOMMENDATION.

5. WE WISH EMPHASIZE THAT WE DO NOT RPT NOT PROPOSE TELLING TANGOV AT THIS TIME OF THE CUT-BACK OR OF OUR INTENTION PROCEED OR NOT PROCEED WITH REMAINING \$4 MILLION LOAN. DELIVERY MESSAGES THESE POINTS SHOULD AWAIT PLAYING OUT OF REMAINING SITUATIONS CITED PARA 3 ABOVE AND COMPLETION

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ANALYSIS MENTIONED PARA 2. BY THAT TIME, WE SHOULD HAVE CLEAR VIEW OF WHAT WE WANT TO DO AND OF TIMING AND TECHNIQUES OF INFORMING TANGOV BEST DESIGNED TO SERVE OUR INTERESTS. BUT, MEANWHILE, PLANNING IN WASHINGTON CAN AT LEAST BEGIN ON REALLOCATION \$8 MILLION.
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